

BHARAT FORGE



“Bharat Forge Q4 FY22 Earnings Conference Call”

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BHARAT FORGE



C H O R U S  C A L L ®

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Moderator: Ladies and gentlemen, good day, and welcome to Bharat Forge Q4 FY '22 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touch tone phone. Please note that this conference is being recorded.

I'll now hand the conference over to Mr. Amit Kalyani. Thank you, and over to you, sir.

Amit Kalyani: Good afternoon, ladies, and gentlemen, and thank you for joining our Q4 and Full Year Analyst Call.

As usual, I'll take you through a short commentary and then open up for Q&A.

So, I have with us members of our finance, investor relations and management teams. So, just to sum up the year, I think there is strong finish to the year. At a standalone level, we witnessed about 71% growth in revenues, more than doubling of the EBITDA and a 3x jump in PBT.

EBITDA margins was at 27% despite the inflationary pressure across all cost elements. We have a strong balance sheet with a net-debt equity of 0.2.

We've won over a Rs. 1,000 crore of new orders for Bharat Forge India. This is both for Indian and domestic and export markets. We have also won over \$150 million of orders for steel and aluminum forgings for U.S. operations, which will be made and supplied in the U.S. to U.S. customers.

I'm happy to note and report that we have won our first order for power electronics for automotive application from our EV division and also high-pressure aluminum die cast parts from prestigious OEMs. We've had a 20% EBITDA margin at a consolidated level. We've crossed about Rs. 010,000 crore revenue. And our artillery gun has completed all trials by the user and passed with flying colors.

Just to look at the 3 months of the year, we ended again by growing our top line by about 28% to Rs. 1,675 crore, driven by a pickup in both domestic and export market. EBITDA margin at 25.7% are optically depressed due to the pass-through effect of the steel price increase. If that was not there, this would be about 27%.

PBT for the quarter was Rs. 352 crore, a growth of 40% over quarter 4 of '21. So, just to say, at a consolidated level, we expect 2022 to be a stronger year, driven both by top line growth and strong cash flow, ramping up of our U.S. operations, growth in our aluminum operations, in Germany and significant growth starting to kick in for our industrial vertical.

So, I will now be happy to take your questions and answers.

- Moderator:** We will now begin the question-and-answer session. The first question is from the line of Binay Singh from Morgan Stanley.
- Binay Singh:** My first question is on the order book. In the December quarter, we had called out that the EV order book is around \$50 million. So, this order that we're talking about on the power electronics side is over and above that. So, this is something you've got in the March quarter. Is that correct understanding? And if so, what is the EV order book now out of this?
- Amit Kalyani:** This is an increase because this is something which we had done a product development and supplied it to the customer for testing and trial, and this has now been approved, and it will go into finished product.
- Binay Singh:** So, within the Rs. 1,000 crore, what will be at EV order book now?
- Amit Kalyani:** Sorry.
- Binay Singh:** Within the Rs. 1,000 crore number that we've given, what will be at EV sort of a percentage for the order book?
- Amit Kalyani:** I would say probably about 50%, 50% out of this are for India. Out of the orders in the U.S. for aluminum, 80% are for EV and hybrid.
- Binay Singh:** Those are I gather casting parts that are going into EV cars?
- Amit Kalyani:** No, those are forgings. Our total EV order book would be well in excess of, I would say, Rs. 1,500 crore, between forging, casting and other parts between Germany, U.S., and India.
- Binay Singh:** And what sort of execution timeline should we look at like over, will it be executed over 1 year or over 2 years?
- Amit Kalyani:** So, this will ramp up this year and it will be running at full volume. These orders will be running at full volume in '24, '25. But by then, we anticipate significant more orders.
- Moderator:** We move to the next question from the line of Kapil Singh from Nomura. Please go ahead.
- Kapil Singh:** Firstly, I wanted to check what is the total order book that we have? I really think Rs. 1,000 crore is per annum kind of order that we have done, right?
- Amit Kalyani:** When it fully ramps up, it will be Rs. 1,000 crore, yes.
- Kapil Singh:** Rs. 1,000 crore per annum, right?
- Amit Kalyani:** Yes.

- Kapil Singh:** Because you will have orders from last year or maybe period before that also which are yet to go into production, right? So, I just wanted to check what is the order book, which is yet to go into production?
- Amit Kalyani:** I would say more than Rs. 1000 crore for sure. It would be closer to about Rs. 1,400 crore, Rs. 1,500 crore.
- Kapil Singh:** So, roughly around Rs. 1,500 crore will be for the Indian operations, right?
- Amit Kalyani:** Yes. And that is only on automotive side.
- Kapil Singh:** And for the overseas operation?
- Amit Kalyani:** Overseas, as we've mentioned right now is \$150 million in the U.S.
- Kapil Singh:** And sir, could you repeat how much is the EV order book out of this Rs. 1,000 crore that you gave?
- Amit Kalyani:** About Rs. 500 crore, and additionally, what we have in the U.S. and Germany.
- Kapil Singh:** And sir, this Rs. 500 crore is in which segment?
- Amit Kalyani:** If we now break it, it's in the automotive segment, automotive power electronics, automotive EVs.
- Kapil Singh:** No. I meant these are like structural parts?
- Amit Kalyani:** This is a variety of components. This goes across forging, casting, power, and control electronics, et cetera.
- Kapil Singh:** I heard you also announced this maiden order for DC-DC converters from Indian OEM. This is in which product category?
- Amit Kalyani:** This is power electronics.
- Kapil Singh:** No, I mean, this final product, is it 2-wheeler, 3-wheeler, what kind of product is it?
- Amit Kalyani:** It's a truck and bus application, commercial vehicles.
- Kapil Singh:** And secondly, could you also share the outlook various markets in terms of market size, particularly the global market, what do we see in terms of industry size for U.S. class rates and also for Europe market for next 1 to 2 years? How much production loss are the OEMs having right now, some color on that also, please?

- Management:** So, the U.S. and European commercial vehicle market, we see them at least as of now, fairly robust for this year and next year. That is the forecast. The order backlogs are quite healthy right now. So, most of these guys have slots booked for the next 12 to 15 months as well. So, as of today, all of this is fairly robust. As far as the supply chain disruption is concerned, I would say there are normal supply chain disruptions. There is nothing that is a very significant showstopper right now. There is a lot of volatility and there is a lot of let me say, disruptions, if you will. But they are able to manage and that is still supporting production outflow.
- Kapil Singh:** Do they require to raise the production significantly from current volumes? It's around 25,000, for example, for US market. Do we need to go much higher than that? Or current level is what that you should expect to see?
- Management:** They have maintained production at a stable level. So, they have not -- it's fairly stable. You can call that.
- Moderator:** The next question is from the line of Puneet from HSBC.
- Puneet Gulati:** My question is, if you are seeing any increased workflow or new orders coming on account of opportunities that, that may have risen from the lack of supply chain in China? Or any extra movement that you are seeing in terms of additional export opportunities for your industrial products?
- Amit Kalyani:** So, for Industrial, I think this is early days. But we are definitely seeing, let's say, new supply chain demand from India across sectors, and that is our entire foray into castings, forgings, heavier forgings with the acquisition of the Baroda unit and then as we complete the acquisition of J.S. Auto will allow us to cater to a much larger segment of the market and increase those companies' revenues manifold and grow our industrial business as well.
- Puneet Gulati:** Can you talk about specific industrial products which are being asked?
- Amit Kalyani:** No, I'm not going to talk about any specific industry because this is competitive information and I don't want to share it, but it will be across sectors.
- Puneet Gulati:** And this is new and something that you've seen in the last 1 year?
- Amit Kalyani:** Yes, absolutely.
- Moderator:** The next question is from the line of Aryn Pirani from JPMorgan.
- Aryn Pirani:** On the industrial business, I think you already answered partly that question. So, which are the areas you mentioned, which have 100% dependency on imports? Is it possible for you to highlight some like broad areas where we can have a medium-term opportunity because of the

- Amit Kalyani:** Roughly all in capital goods and replace certain imports. So, it's across sectors. It goes across many, many sectors, but it's largely all in capital goods.
- Amyr Pirani:** And on the oil and gas side, you mentioned that you expect stable revenues going forward. So, right now, you are still below the peak that we used to have like 4, 5 years ago?
- Amit Kalyani:** Yes. We're at, I would say, 2/3 of the peak.
- Amyr Pirani:** Despite high oil prices, you are not seeing incremental investments going into that area basically?
- Amit Kalyani:** No, there is incremental investment. But what has also happened is asset utilization. Asset life cycle has gone up substantially.
- Amyr Pirani:** And some time back, you had talked about trying to get into new products in terms of offshore. Is there any development on that?
- Amit Kalyani:** We have developed new products and got new orders also for new products for the fracking sector. They will all start slowly this year and then increase next year, and not offshore.
- Moderator:** The next question is from the line of Ronak Sarda from Systematix. Please go ahead.
- Ronak Sarda:** First question on the India CV demand, how do you see the demand for current year, especially given the inventory in the system is pretty low? So, how do you see this?
- Amit Kalyani:** Quarter 1 is looking like is back at peak volumes of 1,670. Very close. Quarter 1 is at about 97,000 number.
- Ronak Sarda:** And how do you see this sustaining, let's say, over the full year?
- Amit Kalyani:** Right now everybody is bullish. Right now, people are bullish for Q2 also. But I think we have to go quarter-on-quarter at a time. But outlook is strong because the CV market has been depressed for a very long time.
- Ronak Sarda:** And we also were gaining, we had new content supply starting in the BS VI regime. So, should we see the full impact or full benefit of that as well? Or our revenue growth will be largely linked to the production growth?
- Amit Kalyani:** Yes. Whatever new products we have developed, which are for BS VI, we have significant market share or 100% market share, and those are going well and that will continue. It will basically be in line with the market demand.
- Ronak Sarda:** And also wanted your thoughts on the EBITDA margin. How should we look at the EBITDA margin because commodity costs are increasing at the same time, we'll have operating leverage

benefit coming through and also the various cost reduction measures which we have taken over the last few years.

Amit Kalyani: That problem is that one can't comment on what is the cost pressure, et cetera, right now. And energy cost is also going up. Trade cost is going up. So, I think on an overall basis, if we are able to maintain at this level around 26%, 26.5% I think it'll be pretty good number.

Ronak Sarda: And finally, the question on the India industrial part, right. Last year, we had a onetime revenue from supplies of oxygen cylinders. How do you see the overall full year revenues from Industrial division?

Amit Kalyani: I think our Industrial division revenues will be strong this year, and this will be a continuing trend.

Ronak Sarda: So, we shouldn't see a major dip from what we did in FY22?

Amit Kalyani: No.

Moderator: The next question is from the line of Basudeb Banerjee from ICICI Securities.

Basudeb Banerjee: A couple of things. One, sir, if I look at your cash flows for last 4 years, you have done a consolidated level in excess of Rs. 1,000 crore CAPEX and only FY20 was a free cash flow year. So, you have added U.S. capability in the low capability in between revenues back to FY19 levels. So, what is the outlook for consol CAPEX for the coming 2 years?

Amit Kalyani: We repaid lots of loans. So, you are saying we haven't had free cash flow?

Basudeb Banerjee: Out of last 4 years, sir, we could see free cash flow only in FY20 and revenue is back to Rs. 10,000 crore plus. So, how do you see free cash flow generation in coming years? And what should be the consol CAPEX?

Amit Kalyani: I don't agree with you because we have had free cash flow generation even this year. If you look at our debt repayment, we have repaid almost Rs. 250 crore of debt. Our loan has gone down. So, yes, net of debt, free cash flow is not there. But we have the opportunity to raise more debt and finance our CAPEX. So, I'm not concerned about that because our balance sheet is very, very trim and we expect between Rs. 300 crore to Rs. 350 crore CAPEX this year and next year.

Basudeb Banerjee: At the consol level, sir, including project growth maintenance CAPEX?

Amit Kalyani: Yes, except for acquisition. We have announced the acquisition of J.S. Auto, which when it gets completed, we will have to pay the money that is due. But without the acquisition, our consolidated CAPEX will be in the region of about Rs. 350 crore this year and next year.

- Basudeb Banerjee:** And second question, sir. As you rightly said that U.S. Class 8 truck manufacturing capacity is roughly 25,000 per month and order books are there giving you visibility of that much production. So, how to look at growth for Bharat Forge's perspective, like what kind of parts per vehicle is that new customer addition amid a static production outlook per se?
- Amit Kalyani:** There's lots of opportunity because as all the customers are moving towards electric mobility, they are going to deintegrate and deemphasize in-house manufacturing. So, that is a very big opportunity for us, and our teams are already engaged with customers on those matters.
- Moderator:** The next question is from the line of Pramod Amthe from InCred Capital.
- Pramod Amthe:** Two questions. One is with regard to the international aluminum forging. What has been the experience in terms of ramp-up? I think this quarter in the financials you indicate some revenues being booked. Second, are there any advancement of CAPEX for aluminum forging on the international side?
- Amit Kalyani:** So, our aluminum forging ramp-up is going as planned. There has been a few months of slowdown because of some of our customers being impacted by Ukraine, et cetera. So, we're using that time to do more product development for future growth. And we have now more business than we have capacity. So, we will have to look at setting up additional capacity to take care of that demand.
- Pramod Amthe:** And when you plan to look into it and announce?
- Amit Kalyani:** We will announce that probably in the next quarter.
- Pramod Amthe:** And second one is with regard to EV components. You have indicated in the presentation some win in the EV component space in the domestic market if I'm not wrong. How do you see with all these questions being raised about quality and concerns on safety? Do you see an opportunity for a quality player like you to play a bigger role in EV components as compared to currently imported?
- Amit Kalyani:** Absolutely. You're absolutely right, Pramod, and we definitely do see that opportunity. But we are also being cautious in over committing on timeframe, et cetera, because we want to be sure that our products all go through the required test, and we are 100% sure that they are going to meet the safety requirements because the vehicle safety depends on all the system safety. And the system here has one externality, which is the charging infrastructure and the current and voltage drops that we face in India. So, these are not things that all over the world people are used to. In India, you have to be conscious that this is a serious issue and design your product for that.
- Pramod Amthe:** But do you expect ultimately OEM to bear it? Or you also have a role to play in terms of providing better runway?

- Amit Kalyani:** In this product, the customer gives you a specification and the actual design of the product is yours.
- Moderator:** The next question is from the line of Raghunandhan N.L. from Emkay Global.
- Raghunandhan N. L.:** The first question is on ATAGS. As you said, the Army trials have been successful. So, media reports indicate that the RFQ is expected in June for over Rs. 3,000 crore worth of orders. Can you talk about your expectations, opportunity size and capacity for this business?
- Amit Kalyani:** I'll tell you that we expect that this whole ordering process should pick up steam and hopefully get completed in this financial year. In terms of capacity, I think in our first year, we will have a capacity of about 100 guns. And after that, we will have an increase in our capacity to 200 a year.
- Raghunandhan N. L.:** What has been the investment, sir?
- Amit Kalyani:** Investment so far has been about Rs. 250 crore. But please remember, this is only the investment for the gun making; the machining, forging, heat treatment, all that was already in place. Steel making, all that was already in place. So, we're leveraging the group capabilities in that.
- Raghunandhan N. L.:** Sir, on Tork motorcycles, can you talk about how has been the initial vehicle demand and the opportunity on the component supplies?
- Amit Kalyani:** So, the vehicle demand has been pretty good. We have closed the order book at 1,000 orders because, again, after reading all the issues with safety and fire and explosions and reverses of certain products, we've initiated a full testing regimen, including outside agency to make sure that our product is completely robust and will not have any of these issues. So, I believe that it is better to take a little time but do it right. And in terms of opportunities, we are very clear on what we know, what we will be making and supply. And our plants are right now under construction.
- Raghunandhan N. L.:** Lastly, sir, on Nellore light weighting plant, how much was the FY22 revenue? And what is the expectation on the production ramp-up going forward?
- Amit Kalyani:** Our revenue in '22 was very small, I would say, hardly Rs. 20 crore, Rs. 30 crore. This will be a year of ramp up for us. We have received export orders for some marquee global customers. And I think the real pickup in growth will happen in '24. '23, we'll see growth, but '24 will be the real growth here.
- Raghunandhan N. L.:** So, we should be able to reach that Rs. 200 crore kind of a revenue target there?
- Amit Kalyani:** Yes. I think so, we should be pretty close to that.
- Moderator:** The next question is from the line of Pramod Kumar from UBS.

- Pramod Kumar:** Amit, my first question is related to exports. You did talk about some order wins and the fact that even now, some of the segments are 2/3 of the peak and even on the export industrial side. If you can just share outlook, given the fact that there is increasing concerns about recession fears in the developed markets. So, if you can just provide some context on where do we stand in terms of our order book, what's been the kind of share gain what we are seeing and the incremental auto win opportunity. So, just to put things in perspective from a 2-year perspective, whether exports can we expect a double-digit growth on a sustainable basis?
- Amit Kalyani:** Yes. So, I'm going to have my colleague, Subodh answer that question. He's far more active in the market.
- Subodh Tandale:** So, to answer your question, yes, we are expecting growth. Whether it is double digits or more or less, that time will tell. But we are definitely working for growth.
- Pramod Kumar:** But if you can just provide some color as to what are the areas where you're seeing some traction because there are some areas which are not coming back on the expected lines in terms of, say, oil and gas and how is renewable doing? If you can provide some more color.
- Subodh Tandale:** We are targeting growth in all the segments we operate in, which is right from commercial vehicle, automotive as well as industrial. And we have -- we are putting together a strategy, which also focuses on development of different products. So, even if the market remains stagnant to a certain extent, we see growth opportunities, and we are engaged in that process in any case. This includes certain products in the oil and gas side as well.
- Pramod Kumar:** And related to that, with the transition to EVs, there was expectation that on the legacy parts, there will be more consolidation of vendors, wherein large OEMs will move their legacy parts vendor for supplies to larger consolidated vendors who have larger scale and then basically reduce their investments on those parts. So, are we seeing anything like that play out on the global side, especially in markets like North America and Europe?
- Amit Kalyani:** So, while we are already seeing RFQs and proposals and discussions around that line, right now, everybody has been very caught up in addressing day-to-day opportunities and issues of supply chain stemming from all the macroeconomic and global issues that are happening. So, they are started, but they're not picking up pace because people are just worried about maintaining their day-to-day supply chain and running their plants.
- Pramod Kumar:** So, in a way, is it fair to assume, Amit, that once these things stabilize and probably from FY '24 perspective, you should see some of these activities kind of contributing meaningfully on the export side?
- Amit Kalyani:** We haven't entered into any such agreements or contracts yet. So, I don't know in '24, it will happen in terms of revenue recognition, but I think directionally, there's definitely a path that we are on.

Pramod Kumar: A second one is on defense. I understand that availability of what do you say, proving grounds or the areas where these guns are tested and all that's been the biggest bottleneck for defense new equipment order trials basically. So, is there any change there?

Amit Kalyani: No, that problem was solved during Mr. Parrikar's time itself. He was the one who opened up the government test ranges for private players. That happened almost 4 years ago. It was that we were not able to do testing because there are no private testing fields in India.

Pramod Kumar: And outside of the artillery gun, which is the next big opportunity you're looking forward to, Amit, on the defense side.

Amit Kalyani: Defense artillery gun, we have vehicle programs. We have multiple artillery guns, not just this one. And then we also have opportunities to export our products across the world.

Moderator: The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services.

Jinesh Gandhi: Amit, I just want to clarify on this export order of \$150 million. You mentioned wherein the steel forging would be made in U.S.?

Amit Kalyani: This is not export order. These are orders received by our subsidiary in the U.S. for steel, aluminum forging, which will be made in the U.S. and supplied.

Jinesh Gandhi: So, would we need to put up steel forgings capacity there also?

Amit Kalyani: No, we have to put up forging capacity, we are going to do automation of our forging lines and some amount of maintenance CAPEX, which will allow us to debottleneck our facilities and make them more productive.

Jinesh Gandhi: Second question pertains to the European aluminum forging business. So, can you talk about what was the utilization for the 30,000-ton capacity which we have in Europe in the fourth quarter and for the full year FY '22?

Amit Kalyani: I would say our capacity utilization in Europe was about 40%.

Jinesh Gandhi: For the full year?

Amit Kalyani: Yes.

Jinesh Gandhi: And the ramp-up, is it lower than expected just because of the geopolitical issues, which the customers are facing?

Amit Kalyani: No, this was flat because we have to develop so many new products that because the product development is happening in Germany for both the U.S. and the German plants, therefore, we needed 1 extra year of product development.

- Jinesh Gandhi:** And talking about the European operations, did we see a material impact of energy cost inflation in fourth quarter? Was that the key reason why our margins, excluding the U.S. aluminum?
- Amit Kalyani:** We do have cost recoveries, which are still pending, which will happen in the course of the next few months.
- Jinesh Gandhi:** And coming to the family forging operations, have you seen implementing utilization for that?
- Amit Kalyani:** Industrial.
- Jinesh Gandhi:** Right, the IT?
- Amit Kalyani:** Technologies and solutions.
- Jinesh Gandhi:** So, you see any incremental utilization there?
- Amit Kalyani:** Yes. So, I think we will increase our sales there by at least 50% this year.
- Jinesh Gandhi:** In FY23, we should increase it by 50%. But how did we close FY22?
- Amit Kalyani:** Well, about Rs. 75 crore, Rs. 80 crore for 9 months. So, close to Rs. 100-odd crore kind of run rate.
- Jinesh Gandhi:** And our India operation subsidiary, India subs have seen losses and they've widened in the fourth quarter. So, is it largely because of family fortune or there are pressures in other operations also?
- Amit Kalyani:** I have no losses. It's based on defense and other things; it's basically defense and EV where we are investing.
- Moderator:** The next question is from the line of Mumuksh Mandlesha from Emkay Global.
- Mumuksh Mandlesha:** Just on the PV segment, what kind of outperformance you expected over the industry growth based on the orders, sir?
- Amit Kalyani:** PV segment, we will have a definite outperformance because we have one loss of business globally. So, I think we should be able to grow our PV business even if there is no change in the underlying markets by at least 30% this year.
- Mumuksh Mandlesha:** And this is across domestic and overseas?
- Amit Kalyani:** No, I'm talking about for India. For Germany, also it will increase because of our aluminum forging business.
- Mumuksh Mandlesha:** On the second question, sir, on aerospace, what kind of revenues have you seen in FY22? And what is the outlook for FY23, sir?

- Amit Kalyani:** Aerospace, again, we are seeing, I would say, between 30% and 40% growth this year and possibly 25%, 30% growth year after next. Railway, there is not much growth because of the whole electrification and the lack of diesel business.
- Mumuksh Mandlesha:** And sir, just on the Kalyani M4 order, has that order started, sir?
- Amit Kalyani:** Yes.
- Mumuksh Mandlesha:** So, what kind of revenue was this quarter, sir?
- Amit Kalyani:** I think it was about Rs. 20 crore, Rs. 25 crore this quarter.
- Moderator:** The next question is from the line of Gunjan Prithyani from Bank of America.
- Gunjan Prithyani:** I just had 2 follow-ups. So, just follow-ups on your India industrial business. Now if you can share some color on the various segments, a little bit of the mix. Where is it coming from Agri, aerospace construction, the way you spell it out for F '22? And when you're giving your comments clearly, there's a lot of confidence on the growth from this segment. So, which are the categories where you're seeing growth?
- Amit Kalyani:** I mentioned earlier, this is competitive information, and I don't want to share it anymore. Because there are lots of people who listen to what we say, and I don't want to create a competition for myself. So, let's just say that we're going to grow this business. We have a good strategy. We have a new person who is heading this business in our company, and we have a very good plan.
- Gunjan Prithyani:** Only on J.S. Autocast, now if you can just give the timeline for the closure?
- Amit Kalyani:** It will happen this quarter.
- Gunjan Prithyani:** It will happen?
- Amit Kalyani:** This quarter.
- Gunjan Prithyani:** And anything that you want to give us a sense that how that business should scale up in terms of revenues the way you put it for the Sanghvi?
- Amit Kalyani:** The way I see it is when we buy it, it will be at about Rs. 380 crore, Rs. 390 crore or so in top line. Our goal is that in 5 years, we should be able to triple it.
- Gunjan Prithyani:** And how much investment for that?
- Amit Kalyani:** I will talk about that later. You asked me the revenue, I've given you the revenue target in terms of my own business.

- Gunjan Prithyani:** Just the last bit from my side. I mean, on the U.S. Class 8 trucks now, clearly, the orders have been seeing significant decline, and that I understand is because of the slots being closed. But are you sensing any increase in the cancellation or any change in outlook going by some of the other indicators that you see in the industry?
- Subodh Tandale:** Not for the moment.
- Gunjan Prithyani:** So, you expect that it stays stable at least for the next 12, 15 months?
- Subodh Tandale:** Correct. That is the expectation.
- Moderator:** The next question is from the line of Aniket Mhatre from HDFC Securities.
- Aniket Mhatre:** Sir, would you be able to share the Sanghvi Forging's EBITDA, please?
- Amit Kalyani:** What is the need? What to do will all the numbers, it's about Rs. 70 crore of top line, and an EBITDA of about of 15%, 16%. But this is the first year. The fact is we didn't lose any money. We made a PBT and an EBITDA profit.
- Aniket Mhatre:** Frankly, the reason for asking the question was to just decipher between -- we understand Sanghvi Forging is a very profitable entity, but we still see losses in the India sub. So, just trying to understand.
- Amit Kalyani:** Sanghvi is working. The subs which we are losing money are in defense EV. When you go and do trial, there is a huge cost.
- Management:** What has had happened is we had taken Sanghvi from the 1st July. In the first quarter, it's still under NCLT and there were certain write-offs. So, I think the point that you need to look at is since we have taken over, there are no losses. And we are poised for some very strong growth there.
- Aniket Mhatre:** And when you talk about 50% growth in FY23 for Sanghvi Forging, you're talking about an annualized run rate from FY22, the 9-month level?
- Amit Kalyani:** Annualized run rate.
- Aniket Mhatre:** And sir, just one clarification. This Kalyani M4 order and the ATAGS order, that will come under the India subs, right?
- Amit Kalyani:** Yes, in India.
- Aniket Mhatre:** India subsidiaries, not in the standalone.
- Amit Kalyani:** No, that comes in standalone.

- Aniket Mhatre:** Both will come in standalone.
- Amit Kalyani:** When we had bid for those orders, we didn't have KSSL. So, the orders were in BSF.
- Aniket Mhatre:** One other clarification. You just talked about very strong 30% growth in the PV business. That was for PV exports, right?
- Amit Kalyani:** Yes. But even on domestic and PV overall, we will have a strong growth because of lots of new order wins from new customers.
- Aniket Mhatre:** And just one final thing. You said CV domestic, OEMs are talking about very strong growth. Would we go back to the FY19 peak this year in your view or as per customer, what is the indication?
- Amit Kalyani:** Q1 is tracking at close to peak numbers. So, it sustains and yes, the answer is yes.
- Moderator:** The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.
- Jinesh Gandhi:** So, for FY '22, of this 71% growth, what would be working, how much can be attributed to that RM cost pass-through and how much is organic?
- Amit Kalyani:** RM cost, I would suggest you talk to our finance team, they will come back to you on this.
- Jinesh Gandhi:** Secondly, we had seen in the fourth quarter particularly, there is substantial increase in other income and interest costs. So, is there any change in accounting which has happened which will continue?
- Amit Kalyani:** No, we had some disposal of assets.
- Jinesh Gandhi:** And on the interest cost?
- Amit Kalyani:** And it's actual cash we're seeing.
- Jinesh Gandhi:** And interest cost also has gone up quite materially to Rs. 40 crore.
- Management:** Portion of the exchange is part of exchange loss because of the rupee depreciation.
- Amit Kalyani:** Our interest cost is Rs. 20 crore per quarter. I think that's the way to look at it
- Jinesh Gandhi:** And what was Rupee realization for the quarter?
- Management:** 76

Jinesh Gandhi: And last question on our working capital. So, in FY22 on a standalone basis, we had seen roughly about Rs. 1,000 crore of outflow. So, do you expect this to reverse? Or is this the normal course of business?

Amit Kalyani: So, I just have one request, this is Amit Kalyani. I have to unfortunately head out, I have a flight to visit a customer. So, I have to leave. If anybody has any last question for me, I will take that. Otherwise, our finance team will continue and our business team will continue with you. So, I'll just like to thank you all for your participation and your interest in our company and your encouragement and questions. Please do keep in touch, and we will keep updating you on matters of importance with regard to Investor Relations and what communication in terms of new things at the company, and I wish you all good health, and I'll leave you to our team here. Thank you very much.

Management: Yes, go ahead, Jinesh, you had some question.

Jinesh Gandhi: It was on the working capital side. So, FY22, we had seen outflow of close to Rs. 1,000 crore on a standalone basis. Do you expect this to reverse partly? Or there is no abnormality over here?

Management: So, the increase in the absolute number on the basis of volume, if you compare it to the percentage to the sales, it's kind of a flat NWC

Amit Kalyani: We're seeing year-on-year have grown by almost 70%, yes. And the increase in working capital is a reflection of that.

Moderator: Ladies and gentlemen, that was the last question for today. On behalf of Bharat Forge, that concludes this conference. We thank you all for joining us, and you may now disconnect your lines.